

McGladrey & Pullen

Certified Public Accountants

State of Illinois Department of Employment Security

Compliance Examination
For the Two Years Ended June 30, 2007
Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

State of Illinois
Department of Employment Security

Compliance Examination
For the Two Years Ended June 30, 2007

Table of Contents

	<u>Page(s)</u>
Agency Officials	1 - 2
Management Assertion Letter	3
Compliance Report	
Summary	4 - 5
Accountant's Reports	
Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	6 - 8
Schedule of Findings	
Current Findings – State Compliance	9 - 13
Prior Findings Not Repeated – State Compliance	14 - 15
Financial Statement Report	
<p>The Department's financial statement report for the year ended June 30, 2007 which includes the report of independent auditors, basic financial statements, supplementary information, and the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.</p>	
Supplementary Information for State Compliance Purposes	
Summary	16
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards	17- 20
Notes to the Schedules of Expenditures of Federal Awards	21
Schedule of Appropriations, Expenditures, and Lapsed Balances	22- 23
Notes to Schedules of Appropriations, Expenditures, and Lapsed Balances	24 - 25
Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances	26 - 33
Schedule of Changes in State Property	34
Comparative Schedule of Cash Receipts	35 - 36

State of Illinois
Department of Employment Security

Compliance Examination
For the Two Years Ended June 30, 2007

Table of Contents (Continued)

	<u>Page(s)</u>
Supplementary Information for State Compliance Purposes (continued)	
Fiscal Schedules and Analysis (continued)	
Reconciliation Schedules of Cash Receipts to Deposits Remitted to the State Comptroller	37
Analysis of Significant Variations in Expenditures	38
Analysis of Significant Variations in Receipts	39
Analysis of Significant Lapse Period Spending	40 - 41
Analysis of Significant Account Balances	42 - 43
Analysis of Accounts Receivable	44 - 46
Cash Basis Schedules – Locally Held Special Programs Fund	47
Analysis of Operations	
Agency Functions and Planning Program	48 - 51
Average Number of Employees	52
Annual Cost Statistics (Not Examined)	53
Emergency Purchases	54
Details of Services Provided for Katrina Hurricane Relief Efforts (Not Examined)	55 - 56
Service Efforts and Accomplishments (Not Examined)	57

State of Illinois
Department of Employment Security

Agency Officials

June 30, 2007

Director

Previous to March 5, 2007
March 5, 2007 to present

Ms. Brenda A. Russell
Mr. James P. Sledge

Deputy Director, Administration

Previous to November 1, 2005
February 1, 2006 to present

Ms. Grace Chan McKibben
Ms. Elizabeth Nicholson

Deputy Director, Operations

Previous to April 17, 2006
June 1, 2006 to March 2, 2007
April 2, 2007 to present

Mr. Don Davis
Mr. Keith Chambers
Ms. LaToya Price-Childs

Chief Financial Officer

Mr. Jon Gingrich

Chief Information Services Officer

Mr. Thomas Revane

Manager, Revenue Division

Ms. Lois Cuevas

Manager, Field Operations

Previous to December 1, 2005
February 1, 2006 to present

Ms. Marsha Ross-Jackson
Ms. Virginia Long

General Counsel

Mr. Joseph P. Mueller

Manager, Accounting Services Division

Mr. L. Briant Coombs

Manager, Workforce and Career Information
(Economic Information and Analysis)

Previous to August 1, 2007
August 1, 2007 to present

Mr. Henry L. Jackson
Mr. Mitch Daniels (acting)

Manager, General Services Division

Mr. John Rogers

Manager, Human Resources Division

Previous to February 1, 2006
February 1, 2006 to present

Ms. Elizabeth Nicholson
Mr. Ken Santiago

Manager, Unemployment Insurance Division

Ms. Carolyn Vanek

State of Illinois
Department of Employment Security

Agency Officials – Continued

June 30, 2007

Manager, Employment Services Division
Previous to February 1, 2006
February 1, 2006 to present

Mr. Less Boucher
Mr. Bennett Krause

Manager, Strategic Planning

Ms. Georgina Heard-Labonne

Equal Opportunity Officer

Mr. Carlos Charneco

The Department's administrative offices are located at:

33 South State Street
Chicago, IL 60603-2802
(312) 793-5700

850 East Madison Street
Springfield, IL 62702-5603
(217) 785-5069



April 24, 2008

McGladrey & Pullen, LLP
Certified Public Accountants
20 N. Martingale Road
Schaumburg, Illinois 60173

Ladies and Gentlemen:

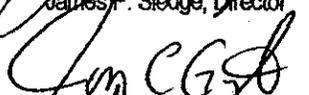
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Department. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements, except as disclosed to the auditors during the engagement. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the two-year period ended June 30, 2007, the Department has materially complied with the assertions below, except as disclosed to the auditors during the engagement.

- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Department of Employment Security

 4/24/08
James P. Sledge, Director

 4/24/08
Jon C. Gingrich, Chief Financial Officer

 4/24/08
Joseph P. Mueller, Legal Counsel

Rod R. Blagojevich, Governor
James P. Sledge, Director

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CHICAGO, ILLINOIS 60603-2802
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State of Illinois
Department of Employment Security

Compliance Report

Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountant's Reports

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

Number of:	Compliance Report	Financial Report	Prior Compliance Report
Findings	3	1	8
Repeated findings	2	1	1
Prior recommendations implemented or not repeated	5	0	2

Details of State Compliance findings are presented in the separately tabbed report section of this report. Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Findings related to *Government Auditing Standards* have been issued separately with the Department's Financial Statement Audit.

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
Findings (<i>Government Auditing Standards</i>)		
07-1		Failure to Review Computerized Information Systems of Third Party Bank Trustees
Findings (State Compliance)		
07-2	9	Interagency Agreements not Executed in a Timely Manner
07-3	11	Performance Evaluations Not Performed Timely
07-4	12	Employee Failed to Properly Record Time and Performed Services for Another Agency
Prior Findings Not Repeated (State Compliance)		
07-5	14	Local Office Controls Need Improvement
07-6	14	Inadequate Follow-up of Unmatched Social Security Numbers
07-7	14	Weaknesses in Control Procedures Relating to Social Security Number Verification
07-8	15	Inadequate Procedures for Multiple Unemployment Benefit Checks Delivered to the Same Address
07-9	15	Inappropriate Travel Reimbursements

State of Illinois
Department of Employment Security

Compliance Report

Summary

Exit Conference

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 27, 2008. Attending were:

Illinois Department of Employment Security

Chief Financial Officer
Manager Accounting Services Division
Audit Liaison
IS Administrative Services Manager
Human Resource Management Representative

Jon Gingrich
Briant Coombs
Kathy Harlan
Barry Isaacson
Nancy Neberieza

McGladrey & Pullen, LLP

Joseph J. Evans, CPA
Heather Morandi

Partner
Supervisor

Office of the Auditor General

Jon Fox, CPA

Audit Manager

The responses to the recommendations were provided by Kathy Harlan, Audit Liaison, in a letter dated April 4, 2008.

McGladrey & Pullen

Certified Public Accountants

Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Department of Employment Security's (Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2007. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

In our opinion, the Department complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as finding 07-2, 07-3 and 07-4.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Department's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 07-2, 07-3 and 07-4 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings to be material weaknesses.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

The Department's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Department's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information is listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2007, 2006 and 2005 Supplementary Information for State Compliance Purposes, except for information on the Annual Cost Statistics, Details of Services Provided for Katrina Hurricane Relief Efforts and Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Department management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
April 24, 2008

Compliance Report

Current Findings – State Compliance
For the Two Years Ended June 30, 2007

07-2 Intergency Agreements not Executed in a Timely Manner

The Department did not execute its interagency agreements with other State agencies in a timely manner.

We reviewed 62 contracts and 9 interagency agreements and noted 7 of the interagency agreements (10%) whose contract terms began prior to the completion of an executed agreement. The agreements were signed between 65 and 388 days late.

Good business practices require that a properly signed two party agreement be executed prior to commencement of services for both contracts and interagency agreements.

Department management stated that the four agreements for the utilization of leased space were not executed timely due to delays by the partners in returning the signed agreements. Contributing factors included a partner who wanted to use their own form, the length of time to approve the cost allocation plan, a partner misplacing the agreement and the unavailability of another to execute the agreement. The other three agreements that were not executed timely involved multiple agencies where the corresponding master agreements/contracts were not initiated by the Department.

Failure to execute contracts or interagency agreements in a timely manner could compromise the Department's oversight and public accountability. Significant work could be performed and costs incurred before the public is made aware of the specifics of the contract. Allowing a vendor to represent the State's interest without a signed contract may also expose the State to potential liability. (Finding Code No. 07-2, 05-8)

Recommendation

We recommend the Department improve its process for timely executing interagency agreements.

Department Response

We accept the recommendation. The Workforce Investment Act (WIA) requires that Memorandums of Understanding (MOUs) be drawn up among partner agencies operating under that law. These MOUs include, among other items, costs that will be borne by each partner in the operation of physical facilities, such as IDES offices that are shared for purposes of the WIA program. These MOU cost allocation plans form the basis for the Intergovernmental Agreements (IGAs), (interagency agreements) covered in the audit.

Thus, in order to effectuate the timeliness of IGA implementation, the MOU process itself must be reviewed and refined. This is now being done in conjunction with the Department of Commerce and Economic Opportunity, the State's lead agency on WIA matters. Both agencies recognize the need to streamline the MOU approval process and plan to soon announce revised guidelines to accomplish that objective. We are also working with our Legal Department to review language used in the local office IGAs to insure that current agreements will not expire automatically (e.g., at the end of a given time period) in a manner that would leave us uncovered in the event a new IGA is not forthcoming in a timely manner.

State of Illinois
Department of Employment Security

Compliance Report

Current Findings – State Compliance
For the Two Years Ended June 30, 2007

07-2 Interagency Agreements not Executed (continued)

Department Response (continued)

One of the other three agreements was a unique, one-time occurrence that is not expected to be repeated. The remaining two agreements have been renewed and/or extended into fiscal year 2008 and those transactions were handled much more timely than they were during this audit period.

Compliance Report

Current Findings – State Compliance (Continued) For the Two Years Ended June 30, 2007

07-3 Performance Evaluations Not Performed Timely

The Department did not complete annual employee performance evaluations timely.

During our examination of 60 personnel files, we noted 13 employee files (22%) did not contain timely performance evaluations. The evaluations were completed from 4 to 78 days late.

In the prior examination's finding we also noted that other personnel records were not included in employee files. Our sample testing of personnel files did not reveal any significant other missing personnel records in the current examination.

The Illinois Administrative Code (80 Ill. Adm. Code 302.260 and 80 Ill. Adm. Code 302.270) requires that performance records be included in the employee's personnel file and that the performance records include an evaluation of employee performance. For a certified employee, the Department is required to prepare an evaluation not less often than annually.

According to Department personnel, the delays were due to the workloads of the managers/supervisors of the field offices responsible for preparing the evaluations. The longest delay was because the employee spent time detailed to other projects and the evaluation required the collaboration of several supervisors and managers from different cost centers which added considerable time to the process.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. (Finding Code No. 07-3, 05-5, 03-2)

Recommendation

We recommend the Department assign responsibility for monitoring the completion and submission of employee performance evaluations. In addition, the importance of the evaluation process should be communicated to employees and evaluators regularly.

Department Response

We accept the recommendation. The Department has instituted a process in which the unit who processes performance evaluations now sends out a due date reminder 60 days in advance as well as one 30 days prior to the due date. We have also revised our procedures to indicate that evaluations are to be received in Human Resource Management at least two weeks prior to the end of the month in which they are due. In addition, we have general communication quarterly with managers to remind them of the significance performance evaluations have within our agency.

State of Illinois
Department of Employment Security

Compliance Report

Current Findings – State Compliance (Continued)
For the Two Years Ended June 30, 2007

07-4 Employee Failed to Properly Record Time and Performed Services for Another Agency

The Department of Employment Security (Department) had an employee who failed to properly record time worked for the Department and who performed services for another agency.

During the course of conducting our examination, we noted that an employee of the Department was attending meetings during normal working hours, acting as audit liaison on legal matters and continued to work as the legal counsel for the Human Rights Commission (HRC) between May and December 2007. The employee in question was a former employee of HRC who left its employment on March 31, 2007. Beginning April 1, 2007 this person was an employee of the Department and was paid entirely by the Department. The Department employee was reimbursed by HRC on an HRC travel voucher for \$255 in travel and telecommunications expenses incurred between April and June 2007.

During our testing at the Department, we noted the employee did not properly record time worked. Rather than recording actual hours worked, the employee recorded a standard 7.5 hours for each day. The employee did not complete any Department leave slips that coincide with the days he worked at HRC between April and December 2007. We noted that no interagency agreement existed between the Department and HRC related to the work performed at HRC by this Department employee until January 10, 2008, a date occurring after the expenditures questioned by the auditors occurred.

The State Finance Act (30 ILCS 105/9.03) requires the Chief Executive Officer to certify every State payroll voucher, "I certify that the employees named, their respective indicated positions and service times, and appropriation to be charged, as shown on the accompanying payroll sheets are true, complete, correct and according to the provisions of law; that such employees are involved in decision making or have direct line responsibility to a person who has decision making authority concerning the objectives, functions, goals and policies of the organizational unit for which the appropriation was made..." In addition the State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(c)) requires State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour.

Department management officials stated that the employee's activities at HRC were done on his own time and that he fully discharged his responsibilities at the Department. In regard to the improper completion of his timesheets, Department officials stated that although the Department has developed a written policy, the policy is not consistently enforced. Department officials indicated that the exceptions noted by the auditors were due to a new employee that was not familiar with the policy.

By allowing an employee to work at another agency, the Department may have violated the expenditure authority created under its appropriation and/or the Department failed to maintain records sufficient to demonstrate its compliance with the payroll certification provisions of the State Finance Act. Failing to enforce written policy for recording time spent each day on official State business increases the risks that the State is paying for services that have not been performed (Finding Code No. 07-4)

State of Illinois
Department of Employment Security

Compliance Report

Current Findings – State Compliance (Continued)
For the Two Years Ended June 30, 2007

07-4 Employee Failed to Properly Record Time and Performed Services for Another Agency
(continued)

Recommendation

We recommend the Department expend its appropriation authority in accordance with the State Finance Act and comply with the State Officials and Employees Ethics Act by enforcing the Department's written policy regarding timekeeping requirements and requiring employees to submit timesheets recording time spent on official State business to the nearest quarter hour.

Department Response

We accept the recommendation. Although we feel there was no violation of expenditure authority and that we received full-time Department work for full-time pay, we concur that more precise timekeeping is required. The verbal agreement in place beginning April 1, 2007 related to this arrangement has now been reduced to writing in the IGA, and the individual is now keeping the detailed time records necessary to account for the time spent on Department business.

Compliance Report

**Prior Findings Not Repeated – State Compliance
For the Two Years Ended June 30, 2007**

07-5 Local Office Controls Need Improvement

During the prior examination we noted that the Department did not have consistent policies and procedures for local branch offices and the Department needed to improve controls over the unemployment insurance claim intake process and other administrative matters. It was recommended that the Department develop uniform claims intake procedures for all branch locations. In addition, other specific recommendations were also noted for the additional administrative deficiencies. (Finding Code No. 05-1)

Status: Implemented

During our visit and sample testing at local offices we noted the Department made several enhancements to their procedures and policies relating to the local office controls. These enhancements included eliminating the “drop off process” that was being performed at one of the local offices, regular supervisory review of claims and reviewing the employment training services with the claimant during the claims filing process. In addition, all travel vouchers examined included supervisory approval prior to being paid.

07-6 Inadequate Follow-up of Unmatched Social Security Numbers

During the prior examination we noted that the Department was not performing follow-up on certain exceptions with claimant social security numbers.

Status: Implemented

The Department reviewed the procedures and determined that the risks associated with exceptions relating to a claimant’s date of birth and name mismatches are relatively low due to the potentially high number of false hits for these categories of exceptions. The percentage of the potential exceptions that are not reviewed (including categories such as date of birth and name mismatches) is immaterial when compared to the exceptions that are investigated by the Department. (Finding Code No. 05-2)

07-7 Weaknesses in Control Procedures Relating to Social Security Number Verification

During the prior examination we noted that the Department had several weaknesses in the control procedures relating to the social security number verification for new claimants. (Finding Code No. 05-3)

Status: Implemented

In September 2006, the Department established a unique code within the claim system to identify an invalid social security number. In addition, the process which stops claims from being sent out was automated relating to the invalid social security numbers.

State of Illinois
Department of Employment Security

Compliance Report

Prior Findings Not Repeated – State Compliance
For the Two Years Ended June 30, 2007

07-8 Inadequate Procedures for Multiple Unemployment Benefit Checks Delivered to the Same Address

During the prior examination we noted that the Department's procedures relating to testing for multiple unemployment benefit checks delivered to the same address needed to be strengthened. It was recommended that the Department improve controls over its procedures for reviewing the multiple claimants single address report and keep copies of the documentation and subsequent follow-up to evidence the procedures performed. (Finding Code No. 05-4)

Status: Implemented

The Department enhanced its procedures to verify the follow-up procedures performed on the multiple claims/same address report. During our examination of the procedures and related sample testing it appears that the Department is keeping adequate documentation of the follow-up procedures and has strengthened procedures overall for this internal control test.

07-9 Inappropriate Travel Reimbursements

During the prior examination we noted that the Department did not properly assign an employee's designated headquarters and as a result the employee received inappropriate reimbursements for travel expenses. (Finding Code No. 05-6)

Status: Implemented

During sample testing for the current examination, there were no instances of similar inappropriate travel reimbursements. The Department has since reinforced its travel reimbursement policy.

Supplementary Information for State Compliance Purposes

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedules of Expenditures of Federal Awards
 - Schedule of Appropriations, Expenditures, and Lapsed Balances
 - Notes to Schedules of Appropriations, Expenditures, and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts
 - Reconciliation of Schedules of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable
 - Cash Basis Schedules – Locally Held Special Programs Fund
- Analysis of Operations:
 - Agency Functions and Planning Program
 - Average Number of Employees
 - Annual Cost Statistics (Not Examined)
 - Emergency Purchases
 - Details of Services Provided for Katrina Hurricane Relief Efforts (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Annual Cost Statistics, Details of Services Provided for Katrina Hurricane Relief Efforts and Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

**SUPPLEMENTARY INFORMATION FOR
STATE COMPLIANCE PURPOSES**

State of Illinois
 Department of Employment Security

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007
 (Expressed in Thousands)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U. S. Department of Labor Programs:		
Unemployment Insurance:		
Unemployment Insurance Trust	17.225	\$ 1,769,439
Temporary Extended Unemployment Compensation, Trust	17.225	(3,246)
Unemployment Insurance Administration	17.225	122,629
Federal Employment Compensation Act (FECA):		
Unemployment Compensation for Ex-Military Employees (UCX)	17.225	19,285
Unemployment Compensation for Ex-Federal Employees (UCFE)	17.225	9,691
Total Unemployment Insurance		<u>1,917,798</u>
Workforce Investment Act (WIA):		
Pass-Through from the Illinois Department of Commerce and Economic Opportunity		
Adult Program	17.258	22
Youth Program	17.259	24
Dislocated Workers	17.260	35
Total Workforce Investment Act (WIA)		<u>81</u>
Employment Services:		
Wagner Peyser	17.207	29,304
One Stop Service-Labor Market Information	17.207	1,513
Reemployment Services	17.207	288
Work Opportunities Tax Credits (WOTC)	17.207	578
Total Employment Services		<u>31,683</u>

See Notes to Schedule of Expenditures of Federal Awards.

State of Illinois
 Department of Employment Security

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007 (Continued)
 (Expressed in Thousands)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor Programs, continued:		
Trade Readjustment Act (TRA):		
Trade Adjustment Activities (TAA)	17.245	\$ 24,031
Alternative Trade Adjustment Act (ATAA)	17.245	615
Total Trade Readjustment Act (TRA)		<u>24,646</u>
Veterans Programs:		
Disabled Veterans Outreach Program (DVOP)	17.801	3,242
Local Veteran Employment Representative (LVER)	17.804	3,313
Total Veterans Program		<u>6,555</u>
Bureau of Labor Statistics	17.002	<u>2,925</u>
Temporary Labor Certification for Foreign Workers	17.273	<u>547</u>
Total U.S. Department of Labor		<u>1,984,235</u>
U.S. Department of Homeland Security		
Disaster Unemployment Administration	97.034	<u>13</u>
U.S. Department of Education		
Pass-Through from the Illinois State Board of Education		
Vocational Education - Perkins Title IIA Leadership	84.048A	<u>128</u>
Total U.S. Department of Education		<u>128</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,984,376</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

State of Illinois
Department of Employment Security

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006
(Expressed in Thousands)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U. S. Department of Labor Programs:		
Unemployment Insurance:		
Unemployment Insurance Trust	17.225	\$ 1,689,224
Unemployment Insurance Administration	17.225	123,843
Temporary Extended Unemployment Compensation, Administration	17.225	(2,011)
Federal Employment Compensation Act (FECA):		
Unemployment Compensation for Ex-Military Employees (UCX)	17.225	22,363
Unemployment Compensation for Ex-Federal Employees (UCFE)	17.225	10,019
Total Unemployment Insurance		<u>1,843,438</u>
Workforce Investment Act (WIA):		
Adult Program	17.258	319
Youth Program	17.259	319
Dislocated Workers	17.260	2,071
Total Workforce Investment Act (WIA)		<u>2,709</u>
Employment Services:		
Wagner Peyser	17.207	30,699
One Stop Service-Labor Market Information	17.207	1,053
Reemployment Services	17.207	1,224
Work Opportunities Tax Credits (WOTC)	17.207	1,191
Total Employment Services		<u>34,167</u>
Trade Readjustment Act (TRA):		
Trade Adjustment Activities (TAA)	17.245	17,858
Alternative Trade Adjustment Act (ATAA)	17.245	659
Total Trade Readjustment Act (TRA)		<u>18,517</u>

See Notes to Schedule of Expenditures of Federal Awards.

State of Illinois
 Department of Employment Security

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006 (Continued)
 (Expressed in Thousands)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor Programs, continued:		
Veterans Programs:		
Disabled Veterans Outreach Program (DVOP)	17.801	\$ 3,054
Local Veteran Employment Representative (LVER)	17.804	3,456
Total Veterans Program		6,510
 Bureau of Labor Statistics	 17.002	 2,822
 Temporary Labor Certifications for Foreign Workers	 17.273	 71
 Total U.S. Department of Labor		1,908,234
U.S. Department of Homeland Security		
Disaster Unemployment Administration	97.034	22
U.S. Department of Education		
Vocational Education - Perkins Title IIA Leadership	84.346	187
Pass-Through from the Illinois State Board of Education		
Vocational Education - Perkins Title IIA Leadership	84.048A	127
Total U.S. Department of Education		314
Total Expenditures of Federal Awards		\$ 1,908,570

See Notes to Schedule of Expenditures of Federal Awards.

State of Illinois
Department of Employment Security

Notes to the Schedules of Expenditures of Federal Awards
For the Years Ended June 30, 2007 and 2006
(Expressed in Thousands)

Organization and Grant Administration

The State of Illinois, Department of Employment Security (Department) is a part of the executive branch of the government of the State of Illinois.

The Department has been designated as the primary recipient for the federal programs for which it receives federal awards. The major responsibilities of the Department as a primary recipient are to ensure that all planning, public participation, reporting and auditing requirements associated with the federal awards programs are met and that all available federal awards are received and expended in accordance with the requirements of the related grant or contract.

The schedules of expenditures of federal awards present activity of all federal financial assistance programs of the Department.

Significant Accounting Policies

Reporting Entity

The schedule of expenditures of federal awards presents all programs in which expenditures were made and/or claimed by the Department. The Department is an integral part of the State of Illinois, the reporting entity.

Basis of Accounting

The schedules of expenditures of federal awards are presented on the modified accrual basis of accounting with the exception of Unemployment Insurance Trust Accounts and Federal Employment Compensation Act (FECA) accounts, which are reported on the full accrual basis of accounting.

Relationships to Federal Financial Reports

Amounts reported in the schedules of expenditures of federal awards reconcile with amounts reported in the related federal financial reports.

Subrecipients

Of the federal expenditures presented in the schedules, the Department provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Sub recipients	
		2007	2006
Wagner Peyser	17.207	\$ -	\$ 215

State of Illinois
 Department of Employment Security

Schedule of Appropriations, Expenditures, and Lapsed Balances

Appropriations for Fiscal Year 2007
 Fourteen Months Ended August 31, 2007

	Final Appropriations (Note 1)	Expenditures through June 30	Lapse Period Expenditures 7/1/07- 8/31/07	Total Expenditures	Balances Lapsed
<u>PUBLIC ACT 94-0798</u>					
<u>APPROPRIATED FUNDS</u>					
TITLE III - SOCIAL SECURITY AND EMPLOYMENT SERVICES FUND - 052					
Central Administration	\$ 10,596,000	\$ 8,269,865	\$ 409,443	\$ 8,679,308	\$ 1,916,692
Finance and Administration	87,849,700	56,742,214	8,031,135	64,773,349	23,076,351
Workforce Development	155,337,100	103,425,991	4,798,417	108,224,408	47,112,692
Trust Fund Unit	1,734,300	177,794	38,491	216,285	1,518,015
Total	<u>255,517,100</u>	<u>168,615,864</u>	<u>13,277,486</u>	<u>181,893,350</u>	<u>73,623,750</u>
UNEMPLOYMENT COMPENSATION - SPECIAL ADMINISTRATION ACCOUNT FUND - 055					
Workforce Development	12,100,000	11,250,386	148,584	11,398,970	701,030
GENERAL REVENUE FUND - 001					
Trust Fund Unit	15,298,300	10,499,695	3,071,872	13,571,567	1,726,733
ROAD FUND - 011					
	1,900,000	1,100,040	799,960	1,900,000	-
NON-DEPARTMENT FUNDS:					
IMSA INCOME FUND - 768	16,700	16,700	-	16,700	-
Total Appropriated	<u>\$ 284,832,100</u>	<u>191,482,685</u>	<u>17,297,902</u>	<u>208,780,587</u>	<u>\$ 76,051,513</u>
NON-APPROPRIATED:					
Unemployment Compensation - Special Administration Account Fund - 055		2,270,658	69,993	2,340,651	
Grand Total - ALL FUNDS		<u>\$ 193,753,343</u>	<u>\$ 17,367,895</u>	<u>\$ 211,121,238</u>	

State of Illinois
 Department of Employment Security

Schedule of Appropriations, Expenditures, and Lapsed Balances

Appropriations for Fiscal Year 2006
 Fourteen Months Ended August 31, 2006

	Final Appropriations (Note 2)	Expenditures through June 30	Lapse Period Expenditures 7/1/06- 8/31/06	Total Expenditures	Balances Lapsed
<u>PUBLIC ACT 94-0015</u>					
<u>APPROPRIATED FUNDS</u>					
TITLE III - SOCIAL SECURITY AND EMPLOYMENT SERVICES FUND - 052					
Central Administration	\$ 11,287,600	\$ 8,831,915	\$ 366,355	\$ 9,198,270	\$ 2,089,330
Finance and Administration	85,326,600	57,304,512	5,547,551	62,852,063	22,474,537
Workforce Development	150,969,000	106,526,124	4,984,707	111,510,831	39,458,169
Trust Fund Unit	1,734,300	154,848	48,355	203,203	1,531,097
Total	<u>249,317,500</u>	<u>172,817,399</u>	<u>10,946,968</u>	<u>183,764,367</u>	<u>65,553,133</u>
UNEMPLOYMENT COMPENSATION - SPECIAL ADMINISTRATION ACCOUNT FUND - 055					
Workforce Development	12,100,000	1,414,254	10,106,982	11,521,236	578,764
GENERAL REVENUE FUND - 001					
Workforce Development	669,400	642,632	26,456	669,088	312
Trust Fund Unit	19,060,800	17,630,416	1,049,168	18,679,584	381,216
Total	<u>19,730,200</u>	<u>18,273,048</u>	<u>1,075,624</u>	<u>19,348,672</u>	<u>381,528</u>
ROAD FUND - 011	<u>1,900,000</u>	<u>1,093,828</u>	<u>740,239</u>	<u>1,834,067</u>	<u>65,933</u>
NON-DEPARTMENT FUNDS:					
IMS A INCOME FUND - 768	16,700	8,400	-	8,400	8,300
Total Appropriated	<u>\$ 283,064,400</u>	<u>193,606,929</u>	<u>22,869,813</u>	<u>216,476,742</u>	<u>\$ 66,587,658</u>
NON-APPROPRIATED:					
Unemployment Compensation - Special Administration Account Fund - 055		841,463	95,514	936,977	
Employment Security Administration Fund - 116		3,268	-	3,268	
Total Non-Appropriated		<u>844,731</u>	<u>95,514</u>	<u>940,245</u>	
Grand Total - ALL FUNDS		<u>\$ 194,451,660</u>	<u>\$ 22,965,327</u>	<u>\$ 217,416,987</u>	

State of Illinois
Department of Employment Security

Notes to Schedules of Appropriations, Expenditures, and Lapsed Balances

1. Appropriation Authorization, Fiscal Year 2007

Appropriation amounts were authorized by Public Act 094-0798 as approved by the Governor on May 22, 2006, pursuant to Article IV, Section 9(d) of the Illinois Constitution of 1970. Pursuant to Section 13.2 of the State Finance Act, the sum of transfers among line item appropriations shall not exceed 2% of the aggregate appropriation. Based on the Office of the Comptrollers records, the Department did not have any appropriation transfers.

2. Appropriation Authorization, Fiscal Year 2006

Appropriation amounts were authorized by Public Act 094-0015 as approved by the Governor on June 10, 2005, pursuant to Article IV, Section 9(d) of the Illinois Constitution of 1970. Pursuant to Section 13.2 of the State Finance Act, the sum of transfers among line item appropriations shall not exceed 2% of the aggregate appropriation. Based on the Office of the Comptroller's records, the Department did not have any appropriation transfers.

3. Basis of Accounting

Data contained in these schedules have been taken directly from the records of the State Comptroller.

The Comptroller's Statewide Accounting Management System (SAMS) controls expenditures by line item as established in approved appropriation bills. Budgets are essentially on the cash basis, modified for expenditures during the lapse period.

4. Non-Department Funds

Funds under this title are not controlled by the Department. However, state appropriation laws pertaining to these funds give the Department authority to appropriate monies for unemployment benefits claimed by employees of these funds.

State of Illinois
 Department of Employment Security

Notes to Schedules of Appropriations, Expenditures, and Lapsed
 Balances (Continued)

5. Directors and Board of Review Salaries Paid from Title III – Social Security and Employment Services Fund

The Department directly pays its Director and Board of Review from the Title III – Social Security and Employment Services Fund appropriations. The appropriations and expenditures are as follows for the fiscal year ended June 30:

	Director	Board of Review	Total
2007			
Appropriation	\$ 129,200	\$ 75,000	\$ 204,200
Expenditures	128,125	65,376	193,501
Lapse	<u>\$ 1,075</u>	<u>\$ 9,624</u>	<u>\$ 10,699</u>
2006			
Appropriation	\$ 122,618	\$ 75,000	\$ 197,618
Expenditures	122,618	75,000	197,618
Lapse	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2005			
Appropriation	\$ 120,900	\$ 75,000	\$ 195,900
Expenditures	120,900	61,250	182,150
Lapse	<u>\$ -</u>	<u>\$ 13,750</u>	<u>\$ 13,750</u>

State of Illinois
Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances
For the Years Ended June 30, 2007, 2006, and 2005

	Year ended June 30		
	2007 PA 94-078	2006 PA 94-0015	2005 PA 93-0842
CENTRAL ADMINISTRATION			
Title III - Social Security and Employment Services Fund:			
Appropriations (net of transfers)	\$ 10,596,000	\$ 11,287,600	\$ 13,436,411
Expenditures:			
Personal services	5,937,733	5,944,092	5,814,636
Employee retirement contributions paid by employer	-	610,357	1,883,469
Contribution to State Employee's Retirement System	684,451	460,330	931,814
Contribution to Social Security	440,164	442,074	433,767
Contributions to group insurance	1,121,318	1,184,250	1,068,953
Contractual services	301,319	342,294	389,738
Travel	65,609	63,339	77,426
Telecommunications services	128,714	151,534	158,884
Total Expenditures	8,679,308	9,198,270	10,758,687
Lapsed Balances	1,916,692	2,089,330	2,677,724
FINANCE AND ADMINISTRATION			
Title III - Social Security and Employment Services Fund:			
Appropriations (net of transfers)	87,849,700	85,326,600	35,842,254
Expenditures:			
Personal services	16,461,089	15,102,243	10,996,634
Contribution to State Employee's Retirement System	1,898,082	1,176,925	1,766,086
Contribution to Social Security	1,214,137	1,114,813	808,219
Contribution to group insurance	3,387,205	3,337,687	2,194,760
Contractual services	36,781,669	36,720,037	4,985,287
Travel	81,346	97,908	95,190
Commodities	968,166	1,122,561	1,195,887
Printing	1,474,134	1,423,501	1,504,706
Equipment	624,730	328,990	262,326
Telecommunications services	1,563,850	1,748,881	533,015
Operation of automotive equipment	76,867	95,636	99,889
America's Labor Market Information System	242,074	582,881	405,273
Potential relocation	-	-	91,683
Total Expenditures	64,773,349	62,852,063	24,938,955
Lapsed Balances	\$ 23,076,351	\$ 22,474,537	\$ 10,903,299

State of Illinois
Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances, Continued
For the Years Ended June 30, 2007, 2006, and 2005

	Year ended June 30		
	2007 PA 94-078	2006 PA 94-0015	2005 PA 93-0842
FINANCE AND ADMINISTRATION (Continued)			
Unemployment Compensation Fund - Special Administration			
Account Fund:			
Appropriations (net of transfers)	\$ -	\$ -	\$ 10,000,000
Expenditures:			
Interest on Advances	-	-	2,000,000
Total Expenditures	-	-	2,000,000
Lapsed Balances	-	-	8,000,000
TOTAL FINANCE AND ADMINISTRATION			
Appropriations (net of transfers)	87,849,700	85,326,600	45,842,254
Expenditures	64,773,349	62,852,063	26,938,955
Lapsed Balances	23,076,351	22,474,537	18,903,299
INFORMATION SERVICES			
Title III - Social Security and Employment Services Fund:			
Appropriations (net of transfers)	-	-	31,180,197
Expenditures:			
Personal services	-	-	5,004,727
Contribution to State Employee's Retirement System	-	-	806,189
Contribution to Social Security	-	-	356,170
Contributions to group insurance	-	-	1,023,995
Contractual services	-	-	11,558,914
Travel	-	-	2,871
Equipment	-	-	1,482,405
Telecommunications services	-	-	1,473,567
Total Expenditures	-	-	21,708,838
Lapsed Balances	-	-	9,471,359
OPERATIONS			
General Revenue Fund			
Appropriations (net of transfers)	-	-	704,600
Expenditures:			
Network outreach services for veterans	-	-	704,600
Lapsed Balances	\$ -	\$ -	\$ -

State of Illinois
 Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
 and Lapsed Balances, Continued
 For the Years Ended June 30, 2007, 2006 and 2005

	Year ended June 30		
	2007 PA 94-078	2006 PA 94-0015	2005 PA 93-0842
OPERATIONS, continued			
Title III - Social Security and Employment Services Fund:			
Appropriations (net of transfers)	\$ -	\$ -	\$ 37,323,806
Expenditures:			
Personal services	-	-	2,991,429
Contribution to State Employee's Retirement System	-	-	481,651
Contribution to Social Security	-	-	206,278
Contributions to group insurance	-	-	615,368
Contractual services	-	-	362,537
Travel	-	-	64,054
Telecommunications services	-	-	53,443
Employment security automation	-	-	1,026,017
Benefit information system redefinition	-	-	6,957,305
Awards and grants	-	-	5,087,034
Tort claims	-	-	3,000
Total Expenditures	-	-	17,848,116
Lapsed Balances	-	-	19,475,690
Unemployment Compensation Special Administration Account Fund:			
Appropriations (net of transfers)	-	-	12,100,000
Expenditures:			
Legal assistance required by law	-	-	1,647,077
For deposit into Title III Social Security and Employment Services Fund	-	-	10,000,000
Total Expenditures	-	-	11,647,077
Lapsed Balances	\$ -	\$ -	\$ 452,923

State of Illinois
 Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
 and Lapsed Balances, Continued
 For the Years Ended June 30, 2007, 2006, and 2005

	Year ended June 30		
	2007 PA 94-078	2006 PA 94-0015	2005 PA 93-0842
TOTAL OPERATIONS			
Appropriations (net of transfers)	\$ -	\$ -	\$ 50,128,406
Expenditures:	-	-	30,199,793
Lapsed Balances	-	-	19,928,613
UNEMPLOYMENT INSURANCE REVENUE			
Title III - Social Security and Employment Services Fund:			
Appropriations (net of transfers)	-	-	35,231,551
Expenditures:			
Personal services	-	-	20,003,190
Contribution to State Employee's Retirement System	-	-	3,221,906
Contribution to Social Security	-	-	1,468,919
Contributions to group insurance	-	-	4,353,499
Contractual services	-	-	107,869
Travel	-	-	155,314
Telecommunications services	-	-	395,141
Total Expenditures	-	-	29,705,838
Lapsed Balances	\$ -	\$ -	\$ 5,525,713

State of Illinois
Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances, Continued
For the Years Ended June 30, 2007, 2006, and 2005

	Year ended June 30		
	2007 PA 94-078	2006 PA 94-0015	2005 PA 93-0842
WORKFORCE DEVELOPMENT			
Title III - Social Security and Employment Services Fund:			
Appropriations (net of transfers)	\$ 155,337,100	\$ 150,969,000	\$ 84,568,126
Expenditures:			
Personal services	68,543,997	67,849,412	46,453,390
Contribution to State Employee's Retirement System	7,897,151	5,283,063	7,474,501
Contribution to Social Security	5,031,326	4,982,271	3,401,887
Contributions to group insurance	15,814,597	17,146,870	11,569,918
Contractual services	1,022,255	983,113	185,250
Travel	1,028,513	979,660	755,331
Telecommunications services	3,247,347	3,344,275	3,489,491
Employment Security Automation	207,270	716,458	
Benefit Information System	4,708,338	9,736,096	
Awards and Grants	4,167	30,556	
Tort Claims	714,696	19,999	
Refunds	4,751	9,063	-
Community partnership for enhanced customer service	-	429,995	80,000
Total Expenditures	108,224,408	111,510,831	73,409,768
Lapsed Balances	\$ 47,112,692	\$ 39,458,169	\$ 11,158,358
General Revenue Fund:			
Appropriations (net of transfers)	\$ -	\$ 669,400	\$ -
Expenditures:			
Operation of statewide lapsed balances	-	669,088	-
	\$ -	\$ 312	\$ -

State of Illinois
Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances, Continued
For the Years Ended June 30, 2007, 2006, and 2005

	Year ended June 30		
	2007 PA 94-078	2006 PA 94-0015	2005 PA 93-0842
Unemployment Compensation Special Administration Account Fund:			
Appropriations (net of transfers)	\$ 12,100,000	\$ 12,100,000	\$ -
Expenditures			
Legal assistance required by law	1,398,970	1,521,236	-
For deposit into Title III Social Security and Employment Services Fund	10,000,000	10,000,000	-
Total Expenditures	11,398,970	11,521,236	-
Lapsed Balances	\$ 701,030	\$ 578,764	\$ -
 TOTAL WORKFORCE DEVELOPMENT			
Appropriations (net of transfers)	\$ 167,437,100	\$ 163,738,400	\$ 84,568,126
Expenditures	119,623,378	123,701,155	73,409,768
Lapsed Balances	\$ 47,813,722	\$ 40,037,245	\$ 11,158,358
 TRUST FUND UNIT			
General Revenue Fund:			
Appropriations (net of transfers)	\$ 15,298,300	\$ 19,060,800	\$ 20,064,000
Expenditures:			
Unemployment Compensation benefits to former State employees	13,571,567	18,679,584	19,477,324
Lapsed Balances	\$ 1,726,733	\$ 381,216	\$ 586,676
 Road Fund:			
Appropriations (net of transfers)	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000
Expenditures:			
Unemployment Compensation benefits to former State employees	1,900,000	1,834,067	1,900,000
Lapsed Balances	\$ -	\$ 65,933	\$ -

State of Illinois
Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances, Continued
For the Years Ended June 30, 2007, 2006, and 2005

	Year ended June 30		
	2007 PA 94-078	2006 PA 94-0015	2005 PA 93-0842
TRUST FUND UNIT, continued			
Title III - Social Security and Employment Services Fund:			
Appropriations (net of transfers)	\$ 1,734,300	\$ 1,734,300	\$ 1,734,300
Expenditures:			
Unemployment Compensation benefits to former State employees	216,285	203,203	163,589
Lapsed Balances	\$ 1,518,015	\$ 1,531,097	\$ 1,570,711
IMSA Income Fund:			
Appropriations (net of transfers)	\$ 16,700	\$ 16,700	\$ 16,700
Expenditures:			
Unemployment Compensation benefits to former State employees	16,700	8,400	16,700
Lapsed Balances	\$ -	\$ 8,300	\$ -
TOTAL TRUST FUND UNIT			
Appropriations (net of transfers)	\$ 18,949,300	\$ 22,711,800	\$ 23,715,000
Expenditures	15,704,552	20,725,254	21,557,613
Lapsed Balances	\$ 3,244,748	\$ 1,986,546	\$ 2,157,387
GRAND TOTALS - ALL DIVISIONS			
Appropriations (net of transfers)	\$ 284,832,100	\$ 283,064,400	\$ 284,101,945
Expenditures	208,780,587	216,476,742	214,279,492
Lapsed Balances	\$ 76,051,513	\$ 66,587,658	\$ 69,822,453
SUMMARY BY FUND - Expenditures			
General Revenue Fund	\$ 13,571,567	\$ 19,348,672	\$ 20,181,924
Title III - Social Security and Employment Services Fund	181,893,350	183,764,367	178,533,791
Unemployment Compensation Special Administration Fund	11,398,970	11,521,236	13,647,077
Road Fund	1,900,000	1,834,067	1,900,000
IMSA Income Fund	16,700	8,400	16,700
Total Expenditures	\$ 208,780,587	\$ 216,476,742	\$ 214,279,492

State of Illinois
Department of Employment Security

Comparative Schedule of Net Appropriations, Expenditures,
and Lapsed Balances - All Funds
For the Year Ended June 30, 2007, 2006, and 2005

	Year ended June 30		
	2007	2006	2005
	2007	2006	2005
	PA 94-078	PA 94-0015	PA 93-0842
Appropriations (net of transfers)	\$ 284,832,100	\$ 283,064,400	\$ 284,101,945
Total expenditures:			
Personal services	90,942,819	88,895,747	91,264,006
Employee retirement contributions paid by employer	-	610,357	1,883,469
Contribution to State Employee's Retirement System	10,479,684	6,920,318	14,682,147
Contribution to Social Security	6,685,627	6,539,158	6,675,240
Contributions to group insurance	20,323,120	21,668,807	20,826,493
Contractual services	38,105,243	38,045,444	17,589,595
Travel	1,175,468	1,140,907	1,150,186
Commodities	968,166	1,122,561	1,195,887
Printing	1,474,134	1,423,501	1,504,706
Equipment	624,730	328,990	1,744,731
Telecommunications services	4,939,911	5,244,690	6,103,541
Legal assistance required by law	1,398,970	1,521,236	1,647,077
For deposit into Title III Social Security and Employment Services Fund	10,000,000	10,000,000	10,000,000
# Interest on advances	-	-	2,000,000
Unemployment Compensation benefits to former State employees	15,704,552	20,725,254	21,557,613
America's Labor Market Information System	242,074	582,881	405,273
Potential relocation	-	-	91,683
Employment security automation	207,270	716,458	1,026,017
Benefit information system redefinition	4,708,338	9,736,096	6,957,305
Network outreach services for veterans	-	669,088	704,600
Operation of automotive services for veterans	76,867	95,636	99,889
Awards and grants	4,167	30,556	5,087,034
Tort claims	714,696	19,999	3,000
Refunds	4,751	9,063	-
Community partnership for enhanced customer service	-	429,995	80,000
Total Expenditures	208,780,587	216,476,742	214,279,492

State of Illinois
 Department of Employment Security

Schedule of Changes in State Property
 For the Two Years Ended June 30, 2007

	Year Ended June 30, 2007				
	Balance July 1, 2006	Additions	Deletions	Net Transfers/ Adjustments	Balance June 30, 2007
Equipment	\$ 26,418,026	\$ 871,247	\$ 284,373	\$ (718,817)	\$ 26,286,083

	Year Ended June 30, 2006				
	Balance July 1, 2005	Additions	Deletions	Net Transfers/ Adjustments	Balance June 30, 2006
Equipment	\$ 27,303,087	\$ 840,363	\$ 5,771	\$ (1,719,653)	\$ 26,418,026

Note: The above information has been reconciled to reports (C-15) submitted to the Office of the Comptroller.

State of Illinois
Department of Employment Security

Comparative Schedule of Cash Receipts
For the Years Ended June 30, 2007, 2006 and 2005

Descriptions of Receipts	Year ended June 30		
	2007	2006	2005
TITLE III - SOCIAL SECURITY AND EMPLOYMENT SERVICES FUND - 052			
U. S. Department of Labor	\$ 160,804,536	\$ 173,526,025	\$ 164,479,577
U. S. Department of Education	23,455	247,015	105,589
Federal Workforce Training	-	-	7,107,224
Fund Transfers - Unemployment Compensation			
Special Adm. Fund	10,000,000	10,000,000	7,640,497
Miscellaneous	1,272,680	567,008	3,471
Illinois State Board of Education	135,630	109,810	127,500
Department of Healthcare and Family Services	4,884	4,884	4,884
Department of Human Services	-	50,000	-
Other States	80,000	76,842	85,971
Fines, Penalties and Violations	13,744	14,735	11,474
User Fees	600	1,300	10,102
Conference Fees	1,625	59,270	-
Local Illinois Governmental Units	-	-	9,995
Subscriptions and Publications	2,215	2,730	2,190
One Stop Participants	757,112	868,010	828,125
Reimbursement on Behalf of Others	3,131	4,080	3,785
General Revenue Fund	25,000	25,000	25,000
Copy Fees	6,864	9,185	7,635
Shared Data Access Fees	2,779	2,220	5,000
Labor Market Information	21,325	126,100	214,085
Commerce & Economic Opportunity	469,251	831,030	189,017
Investment Income Repurchase Agreements	978,094	906,239	530,165
Katrina - EMAC	-	49,435	-
Reed Act	-	-	4,884,186
Prior Year Refunds and Voids	3,705	19,678	45,972
Total Fund (052)	174,606,630	187,500,596	186,321,444

State of Illinois
 Department of Employment Security

Comparative Schedule of Cash Receipts
 For the Years Ended June 30, 2007, 2006 and 2005

	Year ended June 30		
	2007	2006	2005
STATE EMPLOYEES UNEMPLOYMENT BENEFIT			
FUND - 056			
Fund Transfers:			
General Revenue	\$ -	\$ -	\$ 19,477,324
Road Fund	-	-	1,782,557
Title III - Social Security and Employment Services Fund	-	-	87,717
IMSA Income Fund	-	-	16,701
Investment Income Repurchase Agreements	-	-	36,210
Total Fund (056)	-	-	21,400,509
EMPLOYMENT SECURITY ADMINISTRATION FUND - 116			
Investment Income Repurchase Agreements	-	-	17
Total Cash Receipts	\$ 174,606,630	\$ 187,500,596	\$ 207,721,970

State of Illinois
 Department of Employment Security

Reconciliation Schedule of Cash Receipts to Deposits
 Remitted to the State Comptroller
 For the Two Years Ended June 30, 2007

	June 30, 2007
	Title III - Social Security and Employment Services Fund (052)
Cash receipts per Department	\$ 174,606,630
Add: Deposits in transit at July 1, 2006	-
Less: Deposits in transit at June 30, 2007	-
Less: Investment income	(978,094)
	<hr/>
Deposits remitted to the State Comptroller	\$ 173,628,536
	<hr/> <hr/>
	June 30, 2006
	Title III - Social Security and Employment Services Fund (052)
	<hr/>
Cash receipts per Department	\$ 187,500,596
Add: Deposits in transit at July 1, 2005	-
Less: Deposits in transit at June 30, 2006	-
Less: Investment income	(906,239)
	<hr/>
Deposits remitted to the State Comptroller	\$ 186,594,357
	<hr/> <hr/>

Note: To avoid deposits in transit, monies are requested from the Federal government a week before the end of the period.

State of Illinois
 Department of Employment Security

Analysis of Significant Variations in Expenditures

The variations presented below were obtained from amounts presented in the Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances, except for the Unemployment Compensation Trust Fund information, which was obtained from the Individual Non-Shared Proprietary Fund Financial Statements.

A. General Revenue Fund

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Expenditures	\$13,571,567	\$19,348,672	\$(5,777,105)	(29.86)

The decrease in expenditures was due to the decrease in the number of former government employees who filed for unemployment insurance benefits during 2007.

B. Unemployment Compensation Special Administration Fund

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Expenditures	\$11,521,236	\$13,647,077	\$(2,125,841)	(15.58)

The decrease was due to a \$2 million payment made for interest on the Unemployment Insurance Trust Fund in 2005 and this same expense was not incurred during 2006.

C. Unemployment Compensation Trust Fund

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Expenditures	\$1,719,571,000	\$1,945,631,000	\$(226,060,000)	(11.62)

The decrease is due to a reduction in the number of claimants for unemployment benefits in 2006 compared to 2005.

State of Illinois
Department of Employment Security

Analysis of Significant Variations in Receipts

The variations presented below were obtained from amounts presented in the Comparative Schedule of Cash Receipts for fiscal years 2007, 2006 and 2005, except for the Unemployment Compensation Trust Fund information, which was obtained from the Individual Non-Shared Proprietary Fund Financial Statements.

A. State Employees Unemployment Benefit Fund

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Revenues	\$0	\$21,400,509	\$(21,400,509)	(100.00)

State Employees Unemployment Benefit Fund is a clearing account for all revenues received to reimburse Unemployment Trust Fund (UTF) of claims paid to Universities and former State employees. This fund was closed in 2006 and all reimbursements are now direct deposit to a UTF receipt account.

State of Illinois
Department of Employment Security

Analysis of Significant Lapse Period Spending
July 1 to August 31, 2007

A. General Revenue Fund

\$13.5 million in benefits was paid to former State employees during fiscal year 2007. Of this amount, \$3 million was paid during the lapse period.

B. Road Fund

\$1.9 million in benefits were paid to former Department of Transportation employees during fiscal year 2007. Of this amount, \$800,000 was paid during the lapse period.

State of Illinois
Department of Employment Security

Analysis of Significant Lapse Period Spending
July 1 to August 31, 2006

A. Unemployment Compensation Special Administration Fund

\$10.1 million was spent by the Department during the lapse period. \$10 million was spent on cash transfers to the Title III Social Security and Employment Services.

B. Road Fund

\$1.8 million in benefits were paid to former Department of Transportation employees during fiscal year 2006. Of this amount, \$740,000 was paid during the lapse period.

State of Illinois
Department of Employment Security

Analysis of Significant Account Balances

A. Nonshared Governmental Funds

Title III - Social Security and Employment Services Fund

There was a \$3.4 million (19%) increase in the "Cash and cash equivalents" account from fiscal year 2006 to 2007 due to a cash transfer from the Unemployment Compensation Administration Fund of \$10 million, received in June 2007, whereas in the prior year this transfer was processed during the lapse period.

There was a \$3.7 million (52%) increase in the "Intergovernmental Receivables" account from fiscal year 2006 to 2007 due to funding drawn to cover reimbursable expenses from the federal government at June 30, 2007 (see the receipts from the U.S. Department of Labor reported on the Comparative Schedule of Cash Receipts).

There was a \$6.2 million (46%) decrease in the "Intergovernmental Receivables" account from fiscal year 2005 to 2006 due to funding drawn to cover reimbursable expenses from the federal government during fiscal year 2006.

The Fund's "Due from other State funds" account decreased by \$10.4 million (100%) due to receipt of the \$10 million transfer from the Unemployment Compensation Administration Fund in June 2007, this transfer was received during the lapse period in previous years.

There was a \$2.8 million (34%) decrease in the "Account Payable" account from fiscal year 2005 to 2006 due to on time receipt of invoices from vendors resulting in timely processing of payments before June 30, 2006.

The Due to Other state funds account increased \$3.1 million (64%) in fiscal year 2007 compared to 2006 due mostly to late receipt of billings from Central Management Services for various consolidated expenses such as facilities expenses and statistical services.

The Due to Other state funds account decreased \$3.0 million (38%) from fiscal year 2005 to 2006 due to timely receipt of billings from Central Management Services, where in fiscal year 2005 two months of billings for facility charges were paid in lapsed period compared to one month billing in fiscal year 2006.

Unemployment Compensation Special Administration Fund

There was a decrease of \$5.1 million (33%) in "Cash and cash equivalents" account from fiscal year 2006 to 2007 due to a cash transfer to the Title III Social Security and Employment Services Fund of \$10 million, processed in June 2007, whereas in the prior year this transfer was processed during the lapse period and was shown under the "Due to Other State Funds" account.

The "Cash and cash equivalents" account increased \$2.9 million (23%) from fiscal year 2005 to 2006 due to an increase in Unemployment Penalties and Interest collected in fiscal year 2006 resulting in an increase of funds transferred from the Unemployment Trust Fund.

The Fund's "Due from Other State funds" decreased by 21% in fiscal year 2007 compared to 2006 due to reported payroll penalties for the quarter ended June 2007 decreasing by \$1 million compared to the same period in fiscal year 2006.

There was an increase of \$1.9 million (54%) in the "Due from Other State Funds" account from fiscal year 2005 to 2006 due to an increase in Unemployment Insurance penalties and interest collected in the 4th quarter of fiscal year 2006 that was transferred during the lapse period from the Unemployment Trust Fund.

State of Illinois
Department of Employment Security

Analysis of Significant Account Balances, Continued

A. Nonshared Governmental Funds, Continued

Unemployment Compensation Special Administration Fund, Continued

The Due to other State funds account decreased \$10 million (100%) in fiscal year 2007 compared to 2006 due to the transfer of \$10 million in June 2007, whereas in prior years, this transfer was processed during the lapse period and was reported as "due to."

Special Programs Fund

There was a \$6.4 million (100%) increase in the "Other Liabilities" account from fiscal year 2005 to 2006 due to the settlement agreement entered into by the Department with the United States Department of Labor in July 2006 to resolve allegations of overpayment of Trade Readjustments Allowance benefits. This agreement was not present during fiscal year 2005.

B. Nonshared Proprietary Funds

Unemployment Compensation Trust Fund

Investments increased \$628 million or 55% from 2006 to 2007. Increases were due to the redemption of all bonds in June 2006, when funds previously used to service the bond fund became available for use by the Unemployment Compensation Trust Fund in fiscal year 2007.

There was a \$198 million (95%) decrease in the "Cash and cash equivalents" account from fiscal year 2005 to 2006 due to the redemption of bonds and a timing difference between cash receipts and cash disbursements in the clearing and benefit accounts.

There was a \$506 million (80%) increase in the "Investments" account from fiscal year 2005 to 2006 due to the redemption of the balance of the outstanding bonds. Cash previously dedicated to debt service of bonds became available for investment.

There was a \$677 million (100%) decrease in the "Bonds Payable" account from fiscal year 2005 to 2006 due to the balance of the bonds payable being redeemed during fiscal year 2006.

Master Bond Fund

There were no "Cash and cash equivalent" and "investment" accounts shown due to the close out of this Fund in fiscal year 2007. All remaining assets were transferred to Unemployment Compensation Trust Fund and the Special Programs Fund.

State of Illinois
Department of Employment Security

Analysis of Accounts Receivable

For financial reporting purposes for fiscal years 2007 and 2006, the Department classified its accounts receivable in the following categories:

A. Nonshared Governmental Funds

Intergovernmental Receivables

Intergovernmental receivables represent amounts due from the federal government to reimburse the Department for administrative expenditures. Intergovernmental receivables totaled \$12,545 at June 30, 2007 and \$7,389 at June 30, 2006 (amounts expressed in thousands).

The Department does not calculate an allowance for uncollectible accounts for intergovernmental receivables as the amounts are due from other governmental entities and receipt is reasonably assured. In addition, the Department does not maintain records that age the entire intergovernmental receivable balance. Therefore, an account receivable aging schedule for intergovernmental receivables has not been provided on the accompanying schedules.

B. Nonshared Proprietary-Unemployment Compensation Trust Fund

Taxes Receivable

Taxes receivable represent unemployment taxes, known as contributions, owed by private, nongovernmental employers to the Trust Fund. The Department records the receivable based on the actual outstanding receivable plus an estimate based on Budget's Trust Fund Model and an allowance for uncollectible accounts is recorded. Taxes receivable totaled \$476,759 at June 30, 2007 and \$505,595 at June 30, 2006 (amounts expressed in thousands). Some of the methods used by the Department to collect these receivables include statements of account, telephone collections, determination and assessments, property liens, outside collection agencies, comptroller's offset, deferred payment agreements and bank levies.

Intergovernmental Receivables

Intergovernmental receivables represent reimbursements due from other State governments for unemployment benefits paid to those states' ex-employees by the Trust Fund. The receivables also include amounts due from the federal government, for ex-military and federal employees and temporary emergency unemployment compensation. Intergovernmental receivables totaled \$28,974 at June 30, 2007 and \$27,844 at June 30, 2006 (amounts expressed in thousands). For local and other state governments, the Department sends quarterly billings or statements to collect the receivables. For ex-military and federal employees' claims, the Department draws the funds for the receivables due.

Other Receivables

Other receivables represent monies owed from claimants who received benefits which exceeded the allowable amounts. The Department records the receivable based on the actual outstanding overpayment receivable plus an estimate of additional overpayments related to the period, and an allowance for uncollectible accounts is recorded based on historical collections. Other receivables totaled \$90,872 at June 30, 2007 and \$75,405 at June 30, 2006 (amounts expressed in thousands). Methods used to collect these receivables include recoupments from future benefits, use of the comptroller's offset, statements of indebtedness, deferred payment agreements and referral to the Illinois Attorney General.

State of Illinois
 Department of Employment Security

Analysis of June 30, 2007 Accounts Receivable
 (Relates to Proprietary Unemployment Compensation Trust Fund Only)
 (Expressed in Thousands)

See the following schedules for an aging of the taxes receivable and other receivable account balances.

Taxes Receivable at June 30, 2007		
Receivable for the quarter ended June 30, 2007	Receivable from prior quarters	Total Taxes Receivable
\$ 480,407	\$ 111,322	\$ 591,729
	Less: Allowance for uncollectible accounts	<u>(114,970)</u>
		<u><u>\$ 476,759</u></u>

Other Receivables at June 30, 2007					
2003 and Prior	2004	2005	2006	2007	Total Other Receivables
\$ 98,102	\$ 43,991	\$ 48,463	\$ 46,299	\$ 105,464	\$ 342,319
					Less: Allowance for uncollectible accounts <u>(251,447)</u>
					<u><u>\$ 90,872</u></u>

State of Illinois
 Department of Employment Security

Analysis of June 30, 2006 Accounts Receivable
 (Relates to Proprietary Unemployment Compensation Trust Fund Only)
 (Expressed in Thousands)

Taxes Receivable at June 30, 2006		
Receivable for the quarter ended June 30, 2006	Receivable from prior quarters	Total Taxes Receivable
\$ 520,052	\$ 100,465	\$ 620,517
	Less: Allowance for uncollectible accounts	(114,922)
		<u>\$ 505,595</u>

Other Receivables at June 30, 2006					
2002 and Prior	2003	2004	2005	2006	Total Other Receivables
\$ 85,415	\$ 48,240	\$ 50,187	\$ 55,351	\$ 95,828	\$ 335,021
					Less: Allowance for uncollectible accounts (259,616)
					<u>\$ 75,405</u>

State of Illinois
Department of Employment Security

Cash Basis Schedules

Locally Held Special Programs Fund
For the Years Ended June 30, 2007 and 2006
(Expressed in Thousands)

	June 30, 2007			
	Cash			Cash
	Balance	Cash	Cash	Balance
	July 1, 2006	Receipts	Disbursements	June 30, 2007
Trade Readjustment Act	\$ (605,095)	\$ 23,988,474	\$ 23,905,796	\$ (522,417)
Disaster Unemployment Assistance	(1,402)	14,443	13,041	-
Alternative Trade Adjustment Act	-	642,124	642,124	-
Total Special Program Fund	\$ (606,497)	\$ 24,645,041	\$ 24,560,961	\$ (522,417)

	June 30, 2006			
	Cash			Cash
	Balance	Cash	Cash	Balance
	July 1, 2005	Receipts	Disbursements	June 30, 2006
Trade Readjustment Act	\$ (311,170)	\$ 27,312,606	\$ 27,606,531	\$ (605,095)
Disaster Unemployment Assistance	4,982	12,506	18,890	(1,402)
Alternative Trade Adjustment Act	40,548	574,131	614,679	-
Total Special Program Fund	\$ (265,640)	\$ 27,899,243	\$ 28,240,100	\$ (606,497)

Note - The negative cash balance is due to the timing of Federal Draw. The draws are based on checks issued.

ANALYSIS OF OPERATIONS

State of Illinois
Department of Employment Security

Agency Functions and Planning Program

Programs

The Illinois Department of Employment Security (Department) is a cabinet-level State government agency under the leadership of a Director who is responsible for both general policy and day-to-day agency management. The **Offices of the Director** include the Chief Financial Officer, Legal Counsel/Federal Administration, EEO/Affirmative Action, and Information Services. Other functions are carried out by the following two Bureaus:

Administration maintains the Department's Policies and Procedures Manual online. It is responsible for the provision of space, equipment and supplies. It conducts quality assurance and compliance reviews and is responsible for the Department's plans and program analyses. The Bureau provides services for human resources, labor management relations, and workforce development.

Program Support Operations employs the majority of the Department's staff. It is responsible for operating a statewide system of regional and local offices for the programmatic oversight for the Unemployment Insurance, Employment Services and related programs. The Bureau administers the employer payroll tax assessed for purposes of funding UI benefit payments. It is responsible for audit and collections activity related to the UI tax, the processing of reports and remittances, and providing customer service to employers with respect to their account with the Department. The Bureau also provides strategic planning for the Department and economic information and analysis for all interested parties.

The Department operates three major programs: Unemployment Insurance, Job Service, and Labor Market Information.

Unemployment Insurance

The Unemployment Insurance (UI) program is designed to partially protect eligible workers against loss of income during periods of unemployment and to contribute to overall economic stability. Like any insurance system, UI is based on a reserve of funds. The reserve fund, the Unemployment Insurance Trust Fund, is maintained through contributions collected by the Department from employers defined as liable under the *Illinois Unemployment Insurance Act*. When a worker employed by a liable employer becomes unemployed, he/she can file a claim for unemployment insurance benefits. If the worker meets all the eligibility requirements set forth by the UI Act, he/she may receive benefits for the maximum number of weeks payable under the law.

State of Illinois
Department of Employment Security

Agency Functions and Planning Program, Continued

Programs

Employment Service

The Employment Services (ES) program is operated under the authority of the federal Wagner-Peyser Act, as amended by the Job Training Partnership Act of 1983, and is part of the nationwide labor exchange system. The central aim of ES is to speed re-employment through job matching and employability development services. The Department maintains close contacts with employers to locate job opportunities and to meet those labor needs as soon as possible with qualified job applicants. This is accomplished by matching workers' skills to employers' job orders and referring qualified applicants for employment interviews. If there are no suitable job openings listed for an individual or group of applicants, the Department staff attempts to develop openings with employers known to use the skills these applicants possess.

Labor Market Information

The Labor Market Information (LMI) program is also operated under the Wagner-Peyser Act and requires the Department maintain a labor market program to monitor employment-related conditions and trends. The LMI program staff collects, analyzes and distributes labor force and economic information. Using direct surveys, administrative data, and related economic information, LMI describes past, monitors current, and projects future economic trends in terms of indicators such as population, civilian labor force, unemployment, employment by industry and occupation, wages, and hours worked. This information is distributed through regular publications, workshops and seminars, and by the statewide network of Labor Market Economists.

Plans

The Department prepares a number of compliance plans as required for the receipt of federal funding and to satisfy a requirement of the State budget process.

Federal program plans and reports are submitted to the regional office of the U. S. Department of Labor's Employment and Training Administration (ETA) or Veterans Employment and Training (VETS). Plans cover one of two fiscal years: the Federal Fiscal Year (FFY) which runs from October 1 through September 30; or the Program Year (PY) which covers July 1 through June 30, the same period as the State Fiscal Year (SFY).

State of Illinois
Department of Employment Security

Agency Functions and Planning Program, Continued

Plans, continued

The State Quality Service Plan (SQSP) is the annual vehicle for requesting federal funds for the coming FFY to administer the Unemployment Insurance program. The narrative portion of the SQSP includes a summary of current-year program activities, program directions and initiatives for the next year; plans to support ETA's Strategic Plan objectives under the Government Performance and Results Act (GPRA); corrective action plans to meet federal performance standards that were not met for the twelve month period ending March 31 of the current FFY; and a discussion of any program and program review deficiencies and plans to address them. The budget portion of the plan includes worksheets detailing the Department's plan for distributing the funds (by function and quarter) that ETA estimates the Department will receive for the coming fiscal year. These estimates are based on preliminary federal budget requests.

ETA requires the Department to submit quarterly reports to monitor the status of the SQSP's corrective action plans. Focusing on action steps scheduled for completion during the report quarter, the narrative describes actions taken to complete the steps or reasons steps were not completed plus alternate plans and/or completion dates.

The Jobs for Veterans Act of 2002 requires the Department to submit annual Grant Modification Requests for each FFY to support a small number of program administrators as well as field staff who provide direct labor exchange services to veterans. Field staff – Disabled Veterans Outreach Program (DVOP) staff and Local Veterans Employment Representatives (LVER) – is assigned to IDES offices throughout the state to ensure that veterans receive the priority of service mandated by federal regulations.

A grant modification request includes a program plan and a budget plan. The program plan assesses the state's labor market and the representation of veterans in the civilian labor force; describes the manner in which the Department provides or facilitates the delivery of employment, training, and placement services for veterans and the role of DVOPs and LVERs in that effort; and discusses the Department's plan for implementing performance incentive awards for quality employment, training and placement services and for serving special target groups e.g., veterans transitioning from the military to civilian employment. The budget plan details the distribution of Illinois' projected allocation to staff positions, incentives, and any other expenditures planned to support or provide needed services to the state's veteran population. The completed grant modification request is submitted to the VETS National Office via the Illinois VETS Director and the VETS Regional Office.

In addition to the Grant Modification, states may submit proposals for Special Initiatives to target needs not covered by existing funding. If approved, states may receive funding in addition to their allocations to cover associated expenditures.

State of Illinois
Department of Employment Security

Agency Functions and Planning Program, Continued

Plans, continued

Federal Wagner-Peyser funding represents a significant proportion of the Department's budget, but annual compliance planning is not currently required as a condition for receiving it each PY. With the passage of the Workforce Investment Act (WIA) of 1998, the annual Wagner-Peyser planning process for basic labor exchange and labor market information services was incorporated into Illinois' comprehensive five-year strategic plan which treats the many aspects of workforce development. IDES and the Department of Commerce and Economic Opportunity prepare the plan jointly. Illinois' initial strategic plan expired in 2005 and two two-year interim plans have replaced it while Congress debates WIA's reauthorization. The interim plans have absorbed the Migrant and Seasonal Farmworkers (MSFW) Plan, which had been a stand alone plan since the Wagner-Peyser Plan became part of the Strategic Plan. Basically, the MSFW plan describes how the Department, with Wagner-Peyser funding will make agricultural workers aware of the employment services available to them and opportunities for more stable employment. Elements of the outreach plan include the resources the Department will make available for outreach and how those outreach activities will be conducted. Since there is no discrete allocation for this program, the plan does not include a budget.

In addition to the plans required for federal funding, the Department is mandated by the Illinois Welfare and Rehabilitation Services Planning Act (20 ILCS 10/1 et. seq.) to submit its Human Services Plan to the General Assembly every two years. The plan contains a comprehensive narrative of products and services the Department provides through the programs it administers, associated workload and budget for several past, the current, and the coming State Fiscal Years, and descriptions of how the Department provides for the best possible use of available resources and delivers its services in coordination with other state agencies. In addition to submitting the plan to the General Assembly, IDES distributes copies to the Governor's Office and to the general public upon request.

State of Illinois
Department of Employment Security

Average Number of Employees
June 30, 2007, 2006 and 2005

The following table summarizes the average number of employees of the Department categorized by divisional code at June 30, 2007, 2006 and 2005.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Central Administration	108	107	103
Finance and Administration	287	277	203
Information Services	0	0	81
Operations	0	0	53
Unemployment Insurance Revenue	0	0	386
Workforce Development	<u>1,320</u>	<u>1,405</u>	<u>1,073</u>
Total Employees	<u>1,715</u>	<u>1,789</u>	<u>1,899</u>

State of Illinois
Department of Employment Security

Annual Cost Statistics
(Not Examined)

	2007	2006
Average Benefit Paid Per Client	\$2,640	\$2,526
Average Administrative Cost Per Claimant	\$180	\$176

Amounts were based on a Federal fiscal year.

State of Illinois
Department of Employment Security

Emergency Purchases
For the Two Years Ended June 30, 2007

During 2007, the Department had one emergency purchase to National Opinion Research Center (NORC) at the University of Chicago for small domain estimator continuance of service at no additional cost.

During 2006, the Department had one emergency purchase to Seaway National Bank in the amount of \$26,000 for special program banking services.

State of Illinois
 Department of Employment Security

Details of Services Provided for Katrina Hurricane Relief Efforts
 For the Two Years Ended June 30, 2007
 (Not Examined)

Description of Services	June 30, 2006		
	Cost of Personal Services- Regular Pay	Cost of Overtime Pay	Cost of Personal Benefits
Assisted in processing UI claims	\$ 2,827	\$ 3,169	\$ 1,394
Assisted in processing UI claims	3,602	3,077	1,654
Assisted in processing UI claims	2,572	2,821	1,301
Assisted in processing UI claims	1,782	2,258	1,092
Assisted in processing UI claims	2,827	3,169	1,394
Training on Mississippi software	-	-	-
Telephone assistance to MS employers	-	146	23
Telephone assistance to MS employers	-	644	99
Telephone assistance to MS employers	-	127	20
Telephone assistance to MS employers	-	752	116
Telephone assistance to MS employers	-	282	44
Telephone assistance to MS employers	-	437	67
Telephone assistance to MS employers	-	56	9
Telephone assistance to MS employers	-	353	54
Telephone assistance to MS employers	-	891	138
Telephone assistance to MS employers	-	167	26
Telephone assistance to MS employers	-	766	118
Telephone assistance to MS employers	-	265	41
Telephone assistance to MS employers	-	143	22
Telephone assistance to MS employers	-	303	47
Telephone assistance to MS employers	-	424	65
Telephone assistance to MS employers	-	385	59
Telephone assistance to MS employers	-	38	6
Telephone assistance to MS employers	-	545	84
Telephone assistance to MS employers	-	439	68
Telephone assistance to MS employers	-	764	118
Telephone assistance to MS employers	-	253	39
Telephone assistance to MS employers	-	233	36
Telephone assistance to MS employers	-	28	4
	\$ 13,610	\$ 22,935	\$ 8,138

Note: No amounts were incurred in the year ended June 30, 2007.

Travel Expenses	Total Cost- Reimbursed by the State of Mississippi
\$ 1,305	\$ 8,695
1,357	9,690
536	7,230
536	5,668
544	7,934
474	474
-	169
-	743
-	147
-	868
-	326
-	504
-	65
-	407
-	1,029
-	193
-	884
-	306
-	165
-	350
-	489
-	444
-	44
-	629
-	507
-	882
-	292
-	269
-	32
<u>\$ 4,752</u>	<u>\$ 49,435</u>

State of Illinois
Department of Employment Security

Service Efforts and Accomplishments

(Expressed In Thousands)
(Not Examined)

Activities and Performance	For the Years Ended June 30,		
	2007	2006	2005
Unemployment Insurance:			
Initial Claims	686.5	691.0	731.1
Job Placement:			
Entered employment	212.1	254.5	128.2*
Job openings received	54.9	53.3	45.3

* The definition for entered employments changed in July 2005.

- (1) The Department provides temporary income assistance in the form of unemployment benefits to individuals who qualify under federal and state laws.
- (2) The Department provides match assistance for employees and specialized assessment and referral services for job seekers.

Unemployment Rates
(Not Examined)

The funding for the administration of the Department's programs is provided by the federal government and is largely based upon State levels of unemployment. National and State unemployment rates by quarter for calendar year 2005 through 2007, as provided by the Bureau of Labor Statistics, are summarized below:

	Rate by Quarter			
	1st	2nd	3rd	4th
<u>2007:</u>				
National	4.5%	4.5%	4.7%	**
State	4.5	4.9	5.3	**
<u>2006:</u>				
National	4.7	4.7	4.7	4.5
State	5.0	4.5	4.4	4.1
<u>2005:</u>				
National	5.3	5.1	5.0	5.0
State	5.7	5.9	5.9	5.3

** Figures not available at time of report.